

Service Date: March 16, 1988

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER Of The Application)	
Of MONTANA POWER COMPANY for)	UTILITY DIVISION
Authority To Establish Rates for)	DOCKET NO. 86.4.13
Its Deferred Accounting Filing,)	ORDER NO. 5197a
And IN THE MATTER Of The Canadian)	
Border Price Reduction From)	
\$US 3.00 MMBTU to \$US 2.15 MMBTU)	
_____)	

FINDINGS OF FACT

1. Canada's National Energy Board reduced the border price for natural gas from \$3.00 per MMBTU TO \$2.15 per MMBTU, effective for March 20, 1986.

2. On April 14, 1986, The Montana Power Company filed an application to reduce rates, passing some of this reduction through immediately to ratepayers while also proposing rate moderation. The immediate revenue impact of The Montana Power Company's proposal would have been an annual decrease of \$4,149,584.

3. While full implementation of the decrease would have produced an average cost of gas of \$1.60/Mcf, The Montana Power Company's filing included a gas cost of \$1.829/Mcf to replace the then existing cost of gas of \$1.987/Mcf.

4. The Montana Power Company's moderation plan called for a rate reduction on April 21, 1986, a further reduction on about

January 1, 1987, and increases on January 1, 1988 and January 1, 1989.

5. The PSC found the goal of rate moderation laudable. It also, however, wanted to give customers the benefit of decreasing gas prices to the greatest extent possible. It was with these two goals in mind that the PSC found an average gas cost of \$1.672/Mcf to be appropriate on an interim basis and in Interim Order No. 5197, dated April 29, 1986, approved a decrease in annual revenues which reflected this average gas cost.

6. The immediate revenue impact of the \$1.672/Mcf gas cost approved by the Commission was an annual decrease of \$8,272,905, based on market requirements of 26,263,190 at 14.9 psia.

7. The MPC application maintained the rate design policy approved by the PSC in The Montana Power Company's previous tracking filing, including the application of the firm class rate decrease to the Excess/Remainder of Year rate blocks. The Commission finds this method to be proper for rate design purposes.

CONCLUSIONS OF LAW

1. The Applicant furnishes gas service to consumers in Montana and is a "public utility" subject to the regulatory jurisdiction of the Montana Public Service Commission. Section 69-3-101 MCA (1985).

2. The rate change requested in the application, as modified by Interim Order No. 5197, was in the public interest and resulted in rates which were just and reasonable.

ORDER

1. The reduction in rates which resulted from The Montana Power Company's application, as modified in Interim Order No. 5197, was consistent with the above findings of fact, was in the public interest and is hereby given final approval.

2. The interim rates effective under Interim Order No. 5197 were just and reasonable, comply with the findings of this order, are not subject to rebate, and are hereby given final approval.

DONE IN OPEN SESSION at Helena, Montana this 14th day of March, 1988, by a 5-0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

TOM MONAHAN, Commissioner

DANNY OBERG, Commissioner

JOHN B. DRISCOLL, Commissioner

ATTEST:

Carol Frasier
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.